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Istook Supports More Retirement Savings

Washington, D.C.-- Congressman Ernest Istook (R-OK) voted Wednesday to let Americans save more for retirement without being taxed on the savings. He supported legislation to raise the contribution limits for the 401(k) and IRA accounts that millions of Americans use for retirement. The measure passed 407-24.

“I’ll continue working to strengthen Social Security,” said Istook. “But every American should be encouraged to do more for themselves, including better incentives to plan for their future. This permits people to sock away more money for their retirement before that money gets whittled down by taxes, whether the money comes from them or is contributed by their employer. This bill will promote savings, encourage individual responsibility, and helps small businesses provide retirement plans for their employees.”

The “Comprehensive Security and Pension Reform Act” (H.R. 10) would expand the availability of pension plans, increase portability, cut regulations for plan sponsors, and increase contribution limits for 401(k) and IRA accounts. The following reforms are among the provisions of H.R. 10:

- **Individual Retirement Accounts (IRAs):** Increases the current IRA contribution for the first time since 1981, from \$2,000 to \$5,000 over the next three years. The measure also allows taxpayers 50 and older to contribute up to \$5,000 a year beginning in 2002.
- **Increased Pension Contributions:** Increases contribution limits for 401(k)-type plans from \$10,500 to \$15,000 by 2005; and increases an employer’s deduction for contributions to 20% of compensation, rather than the current 15%.
- **Catch-up Pension Contributions:** Workers age 50 and above who use a 401(k)-type plan would be permitted to immediately save an additional \$5,000 (for a limit of \$15,500 in 2002 phasing up to a limit of \$20,000 by 2005), so they could catch-up for years when they didn’t put the maximum into a retirement plan.
- **Faster Vesting and Pension Portability:** Money contributed by employers would vest with employees after they spend three years on the job, rather than the current five-year requirement. The bill also simplifies the ability to transfer a retirement account to a new employer when a employee changes jobs.
- **Regulatory Relief to Encourage Small Business Pension Growth:** Pension laws would be modernized and streamlined to encourage small businesses to offer pension plans.